

Restoring authority in the individual health market

HB 1234/SB 5261

Background

Since passage of individual health insurance legislation in 2000, the Insurance Commissioner has had minimal regulatory oversight of individual health plan rates. The Office of the Insurance Commissioner cannot disapprove or impede the implementation of rates for individual plans and may contest only the calculation of the carrier's loss ratio as demonstrated in a required annual experience filing.

The problem

Rates for individual health care coverage have increased an average of 17 percent annually since 2001. Prior to 2000, the Insurance Commissioner's office had the ability to impact rates. In the three years prior to this law, rates increased between 1 and 4 percent less than the amount requested.

Solution

Restore Insurance Commissioner's authority

- Restore the Insurance Commissioner's oversight of the individual health insurance market and give the Commissioner the authority to disapprove a carrier's form if the benefits provided are unreasonable in relation to premium. (This is the standard for other health plan products).
- Allow the Insurance Commissioner 60 days to review rates or rate modifications for individual health plans before they can be used.
- The original version of the bill granted the Commissioner the authority to consider a carrier's surplus when reviewing a rate increase for an individual health insurance plan. The version passed by the Senate on 3/9/07 removed this authority.

Staffing & Funding

Individual health plan rates are currently filed with the Office of the Insurance Commissioner staff on an informational basis only. A comprehensive analysis of the rate filings that will be submitted after this change will require additional funding in order for actuarial staff to conduct an adequate review of supporting documentation. The cost of additional staffing would be funded from the Commissioner's Regulatory Account, not the General Fund.

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